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UNITED STATES DEPARTMENT OF AGRICULTURE
Surplus Marketing Administration



No. 9

SMA "WAR BOARD" LETTER

Wash., D.C., Feb. 14, 1942

PRICE BASIS covering pork purchases has been established. For purpose of general purchase program the level of prices paid for pork during the last week of January has been adopted as a ceiling. It is felt, however, that continued large quantities of pork should be offered by the trade at prices below this ceiling. Intention to operate on this basis was indicated to the trade on February 5 by AMAdministrator Hendrickson in wire to packers offering pork products which follows:

THIS WIRE IS IN RECOGNITION OF YOUR COOPERATION IN OFFERING PRODUCTS AND IS FOR YOUR INFORMATION AND GUIDANCE. WE ARE ACCEPTING THIS WEEK OFFERS ON LARD AND OTHER PORK PRODUCTS AT PRICES NOT ABOVE LAST WEEK'S LEVELS. WE INTEND FOR PURPOSES OF OUR GENERAL PURCHASE PROGRAM TO ADOPT LAST WEEK'S LEVELS AS OUR TOP CEILING BUT FEEL CONTINUED LARGE QUANTITIES SHOULD BE OFFERED AT PRICES SOMEWHAT BELOW LAST WEEK'S LEVELS. WE DO NOT WANT TO CUT OUR ACCEPTANCES PRECIPITATELY WITHOUT NOTICE BUT FEEL COMPELLED TO ADOPT THAT OR OTHER METHOD UNLESS PRICES STAY UNDER LAST WEEK'S LEVELS.

BACKGROUND: On Jan. 15 the farm price of hogs was \$10.55 cwt. which was 100% of parity. Average price hogs at Chicago then was \$11.18 cwt. Since Jan. 15 hog prices have increased sharply. On Feb. 12 averaged about \$12.60 at Chicago. With this as basis and figuring back considering relationship between Chicago and farm prices in mid-January, it appears Feb. 12 farm price would be about 110 percent of parity. On basis Jan. 15 figures, 110% parity would be about \$11.60 cwt. on farm, officials estimate.

On Feb. 13, operating on the new price basis, the following pork products were purchased: 16,013,868 lbs. canned meat products; 3,680,000 lbs. cured meat; 117,173 lbs. pork casings and 11,392,032 lbs. lard.

EVAPORATED MILK SITUATION: Storage problem arising out of recent sharp increase in production being cleared up. Warehousing Section of SMA has list of all purchases of evaporated milk up to last week with dates that shipments be ready for sampling. Instructions being given plants daily where to move milk. Handling on day-to-day basis according to need of plants for removal of backed up stocks. Shipping directions being issued as fast as evaporated milk is ready for shipment, but due to mechanics of forwarding Govt. bills of lading, etc., not all plants can get shipping directions on few hours notice. Officials see no need for alarm concerning storage situation away from plants. While space is tighter, there is no difficulty in obtaining it. May have to spread storage more. Transportation offers no great difficulty. More storage space becoming available as commercial stocks of commodities are being withdrawn from warehouses. Flush production peak in milk, expected about mid-June. Due to fact that cows have been maintained at higher than usual production levels this winter it is expected that peak will not be as high as usual over winter production level. Purchase price of evaporated milk, cut 10 cents a case on Jan. 25 was dropped another 10 cents on Feb. 11 to \$3.35 per case. (See explanation in paragraph 5, WB Letter of Feb. 9.) Since production evaporated recently has been at least large enough to meet domestic and L-L requirements now in sight,

additional evaporated milk facilities are not being financed under dairy plant expansion program at this time. (This program announced in WB Letter of Dec. 24, 1941.) While there has been considerable expansion in American cheese making facilities some additional facilities are needed.

GENERAL MILK SITUATION: (Especially important in light of above.) Officials stress that this does not mean that total milk production, with as great an expansion as possible in areas where there are facilities for producing evaporated, cheese and dry skim. One of main problems will be getting proper utilization of milk among these three products.

DRY SKIM MILK SITUATION STILL BAD. USDA officials state that although dry skim industry has made some expansion, present rate of production is far behind estimated 1942 needs of 525,000,000 pounds.

DAIRY PRODUCTS PURCHASES up to Jan. 31 included: 200,987,886 lbs. cheese valued at \$46,775,076; 46,008,130 lbs. dry skim milk valued at \$4,771,688 and 21,998,525 cases evaporated milk valued at \$75,538,338.

SUGGESTED FORMS AND INSTRUCTIONS for War Board certification of plants canning tomatoes and peas should be received by WB's during coming week. It will be recalled that WB's will certify those plants contracting with growers at least at 1942 minimum grower prices established under the program.

FOOD BUYING WITH BLUE STAMPS throughout US bounced back to \$9,300,000 in December from \$8,800,000 in November. Reason according to Economic Analysis Section was increase in number of participants from 3,300,000 in November to 3,400,000 in December and gain in per capita issuance of stamps from \$2.64 in November to \$2.72 in December.

DIRECT PURCHASES of dry edible beans from growers on an announced price basis, where it is necessary, e.g. in areas not having access to established marketing outlets, is now being considered. Announcement made Feb. 11 that SMA will receive offers for purchase of Alaska, Bluebell, White Canada and First and Best dry peas. Offers may be submitted up to 12 noon Feb. 18 and each Wednesday thereafter till further notice.

SUGGESTED READING: USDA announces egg purchase program; US food deliveries to Britain up to January 1. (Copies releases mailed you.)

SMA REPRESENTATIVES ON USDA WAR BOARDS: Queries or needs for spot information may be sent directly to Administrator Hendrickson, AMU, Washington, D. C.